

Issue Paper Number 07-003



BOARD OF EQUALIZATION  
**KEY AGENCY ISSUE**

- ☐ Board Meeting
- ☐ Business Taxes Committee
- ☐ Customer Services and  
Administrative Efficiency  
Committee
- ☐ Legislative Committee
- ☒ Property Tax Committee
- ☐ Other

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## Definition of Biopharmaceutical Equipment and Fixtures

### I. Issue

What definition of *biopharmaceutical equipment and fixtures* should the Board adopt to define the scope of the biopharmaceutical equipment and fixtures valuation factors studies conducted pursuant to Budget Change Proposal 6 (2006-2007)?

### II. Staff Recommendation

Staff recommends that the attached definition of *biopharmaceutical equipment and fixtures* be adopted (Attachment A).

### III. Other Alternative(s) Considered

Not Applicable.

## IV. Background

The State Board of Equalization (Board) co-administers the property tax in California with the county assessors. The 58 county assessors are charged with the assessment of locally assessed real and personal property for taxation purposes, and resolution of appeals of property values at local levels in conjunction with county assessment appeals boards. The Board's role is advisory and does not include setting values for any locally assessed property or for resolving disputes over those assessments.

The Board is mandated by section 401.5 of the Revenue and Taxation Code to promulgate guidance for county assessors to follow in valuing locally assessed property, and for assessment appeals boards when equalizing locally assessed property. In an effort to meet that mandate, the Board annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581), to use as a guide in the mass appraisal of personal property and fixtures. Among other data, AH 581 contains tables of valuation factors for biopharmaceutical equipment and fixtures. The biopharmaceutical equipment and fixtures valuation factors were initially approved by the Board for lien date January 1, 1999.

Industry representatives expressed interest for the Board to review current data to validate or update the information contained in AH 581 relative to the biopharmaceutical equipment and fixtures valuation factors. Conducting studies based on current data will result in the ability to calculate more reliable and accurate assessed values. As a result, there may be fewer disputes between county assessors and taxpayers over values and a resultant decrease in the number of assessment appeals filed.

The Board recently received funding on a two-year limited basis<sup>1</sup> to create and participate on a team that will conduct studies in the development of valuation factors for biopharmaceutical equipment and fixtures.

## V. Discussion

The Board began the valuation factor studies process by holding an interested parties meeting on August 7, 2006. At that meeting, it was agreed that the team that would conduct the studies should be comprised of Board staff, two individuals from county assessors' offices, and two individuals from industry. Subsequently, working with the California Assessors' Association and the California Taxpayers' Association, the following team was formed:

|                     |                                    |
|---------------------|------------------------------------|
| Mike Harris, Chair  | State Board of Equalization        |
| Isaac Cruz          | State Board of Equalization        |
| Mike Hart           | Amgen Inc.                         |
| Charles J. Moll III | Winston & Strawn LLP               |
| Terry Flinn         | San Mateo County Assessor's Office |
| Ann Takemoto        | Ventura County Assessor's Office   |

As a starting point, a definition of *biopharmaceutical equipment and fixtures* must be determined in order to define the parameters of the studies. The Biopharmaceutical Equipment and Fixtures Team held a meeting on September 25, 2006 in Sacramento, and subsequently had conference call meetings to draft a proposed definition of *biopharmaceutical equipment and fixtures* for purposes of the valuation factor studies.

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<sup>1</sup> Budget Change Proposal No. 6, *Valuation Factors – Biopharmaceutical and Hi-Tech Equipment* (2006-2007).

## **VI. Alternative 1 – Staff Recommendation**

### **A. Description of Alternative 1**

Staff recommends that the attached definition of *biopharmaceutical equipment and fixtures* be adopted (Attachment A).

The proposed definition of *biopharmaceutical equipment and fixtures* was developed by the Biopharmaceutical Equipment and Fixtures Team and was disseminated to interested parties via Letter To Assessors 2007/008 on February 16, 2007. Interested parties were provided an opportunity to comment and/or make suggestions for revisions to the proposed definition. As a result of comments received, the definition was amended to include vaccines. The proposed definition (Attachment A) has approval of all interested parties who participated in the process.

### **B. Pros of Alternative 1**

Adoption of the proposed definition of *biopharmaceutical equipment and fixtures* will provide the Biopharmaceutical Equipment and Fixtures Team with a definitive scope for the valuation factor studies. Additionally, when the resultant valuation factors are published by the Board, the definition will provide guidance to users by indicating the specific equipment that was part of the studies.

### **C. Cons of Alternative 1**

None

### **D. Statutory or Regulatory Change for Alternative 1**

None

### **E. Operational Impact of Alternative 1**

None

### **F. Administrative Impact of Alternative 1**

#### **1. Cost Impact**

Costs associated with the Valuation Factor Studies are provided for in Budget Change Proposal No. 6, *Valuation Factors – Biopharmaceutical and Hi-Tech Equipment* (2006-2007).

#### **2. Revenue Impact**

None

### **G. Taxpayer/Customer Impact of Alternative 1**

None

### **H. Critical Time Frames of Alternative 1**

Adoption of a definition of *biopharmaceutical equipment and fixtures* at the April 24, 2007 Property Tax Committee meeting will allow the Biopharmaceutical Equipment and Fixtures Team to proceed with the value factors studies.

## **VII. Other Alternatives**

Not applicable.

Prepared by: Property and Special Taxes Department, County-Assessed Properties Division

Current as of: March 16, 2007

## DEFINITION OF BIOPHARMACEUTICAL EQUIPMENT AND FIXTURES

Equipment and fixtures utilized in connection with, or in support of, research and/or manufacturing activities that use organisms, or materials derived from organisms, their cellular, subcellular, or molecular components, to discover and/or provide products for human or animal therapeutics, diagnostics, and/or vaccines.